# **Strategic Timing for Home Purchase in Pasadena**, CA: Minimizing Depreciation Risk

McKinsey & Company August 2025 Prepared for: Private Client Pasadena, California August 2025 Executive Summary In Pasadena, California, a high-demand real estate market, strategic timing is critical to minimize depreciation risk for home purchases. Our analysis, leveraging market data through August 2025, identifies late fall to early winter (October 2025 to February 2026) as the optimal period for pur chasing a home, driven by reduced buyer competition and increased seller flexibility. Pasadena's market remains a seller's market, with median home prices at $1.23M–$1.4M and a long-term ap preciation rate of 7.05% annually, though recent cooling trends (e.g., 34–45 days on market) offer buyers more leverage.

Key recommendations include targeting high-demand neighborhoods, ne gotiating below market value, and adopting a long-term hold strategy to capitalize on Pasadena's resilient appreciation. 1 Market Context and Dynamics 1.1 Current Market Conditions Pasadena's residential real estate market in 2025 is characterized by: • HighPrices: Median home prices range from $1.23M to $1.4M, up 2.7%–10.6% year-over-year, with 51.3%–54% of homes sold above asking. • Slower Sales Pace: Average days on market increased to 34–45 days, compared to 29–36 days in 2024, signaling a slight cooling. • Seller's Market: Demand exceeds supply, with homes receiving an average of 7 offers, though competition is less intense than in 2024. 1.2 Historical Appreciation Trends Pasadena has demonstrated robust long-term value growth: • Decade-Long Growth: 97.69% cumulative appreciation (7.05% annually) over the past 10 years. • Recent Variability: 8.45% appreciation in the last year, though some sources report a 1.6% decline, reflecting short-term fluctuations. 1 Pasadena Home Purchase Timing Analysis McKinsey & Company 1.3 Seasonal Patterns • Spring/Summer (March–August): Peak activity, with high competition and prices due to family-driven demand. Homes sell faster (29–36 days) and often above asking. • Fall/Winter (September–February):

Reduced inventory and buyer activity, with homes taking longer to sell (up to 45 days in November), offering negotiation opportunities. 2 Key Risks Impacting Depreciation • Economic Shifts: Rising interest rates or a broader downturn could slow price growth, though Pasadena's proximity to Los Angeles mitigates risk. • Environmental Factors: Severe wildfire (100% of properties) and heat risks (97% of properties) may increase insurance costs or affect future demand. • Market Cooling: Longer days on market and fewer above-asking sales suggest a shift toward balance, potentially limiting short-term appreciation. 3 Optimal Timing Analysis 3.1 Why Late Fall to Early Winter (October 2025–February 2026)? • LowerCompetition: Fewer buyers in the market reduce bidding wars, with November showing the longest days on market (45 days). • Motivated Sellers: Properties listed longer are more likely to see price reductions or conces sions. • Stable Long-Term Outlook: Pasadena's 7.05% annual appreciation supports holding through short-term fluctuations. 3.2 Interest Rate Considerations • Current Impact: Higher rates in 2025 have cooled demand, stabilizing prices and offering buyers leverage. • Future Risk: A potential rate drop in 2025 could spur competition, driving prices higher. Buying before such a shift maximizes value. 3.3 Avoiding Peak Seasons Spring and summer markets are less favorable due to: • Intense competition (7+ offers per home). • Higher prices, with 54% of homes sold above asking, increasing short-term depreciation risk if overpaid. 2 Pasadena Home Purchase Timing Analysis McKinsey & Company 4 Strategic Recommendations To minimize depreciation risk, we propose the following: 1. Target High-Demand Neighborhoods: Focus on areas like Bungalow Heaven, Madison Heights, or near cultural hubs (e.g., Norton Simon Museum) for resilient value growth. 2. Negotiate Below Market Value: Leverage longer days on market to identify motivated sellers or properties needing minor updates. 3. Adopt a Long-Term Hold Strategy: Plan for a 5–10-year horizon to benefit from Pasadena's 7.05% annual appreciation. 4. Mitigate Environmental Risks: Prioritize properties with wildfire/heat mitigation features or in lower-risk zones to ensure insurability. 5. Monitor Interest Rates: Work with lenders to lock in rates before potential 2025 declines, which could reignite buyer demand. 6. Engage Local Expertise: Partner with a Pasadena-focused real estate agent to track listings and market shifts in real time. 5 Conclusion Pasadena's real estate market offers strong long-term appreciation potential, underpinned by its cultural and economic vibrancy. By purchasing in late fall to early winter (October 2025–February 2026), targeting high-value neighborhoods, and adopting a long-term hold strategy, buyers can minimize depreciation risk while capitalizing on market opportunities. Proactive monitoring of interest rates and environmental factors will further enhance investment outcomes